Disclosure of related-party agreements

(Information pursuant to Article L. 22-10-3 of the French Commercial Code)

Conclusion of a commitment to subscribe to a capital increase, a subscription agreement to issue of undated deeply subordinated notes and an amendment to the shareholder's loan agreement between the Company and the French State

(Authorized by the Board of Directors on April 5, 2021)

As part of its recapitalization plan announced on April 6, 2021, Air France – KLM (the « **Company** ») has entered into the following agreements involving, directly or indirectly, the French State, which held 14.3% of the Company's share capital at the date of conclusion of these agreements:

- on April 12, 2021, a subscription commitment by the French State in the context of the capital increase of the Company without preferential subscription right and with a priority subscription period granted to existing shareholders of a maximum total number of 213,999,999 new shares (the "**Subscription Commitment from the French State to the Capital Increase**");

- on April 20, 2021, a subscription agreement relating to the issue by the Company and the subscription by the French Republic of undated deeply subordinated notes in an aggregate amount of €3 billion (the "**Deeply Subordinated Notes**") (the "**Deeply Subordinated Notes Subscription Agreement**"); and

- on April 20, 2021, an amendment to the shareholder's loan agreement entered into between the Company and the French Republic on May 6, 2020 (the "**Amendment to the Shareholder Loan**", and together with the Deeply Subordinated Notes Subscription Agreement and the Subscription Commitment from the French State to the Capital Increase, the "**Agreements**").

1. Terms of the Agreements

a. Subscription Commitment from the French State to the Capital Increase

Under this Agreement, the French State has committed to subscribe to the issue by Air France - KLM of 186,086,856 new shares to be subscribed in cash, which may be increased to 213,999,999 new shares in the event of the exercise of the extension clause (the "**Offering**"), in the amount of 122,560,251 new shares, of which 26,587,276 new shares on an irreducible basis and 95,972,975 new shares on a reducible basis.

In addition, the French State has committed to grant to the Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners a 90-day hold period on all Air France - KLM shares held following completion of the Offering, subject to certain customary exceptions.

b. Deeply Subordinated Notes Subscription Agreement

Air France - KLM has committed to issue, and the French State has committed to subscribe to, undated deeply subordinated notes (accounted for under IFRS equity in the Company's consolidated financial statements) for an amount of €3 billion, fully subscribed by the French State, by way of set-off (*compensation de créance*) on claims it holds on the Company pursuant to the shareholder's loan agreement dated May 6, 2020 between the French State and the Company (the "**Shareholder Loan**") and fully drawn for an amount of €3 billion (the "**Deeply Subordinated Notes**").

This issue will be composed of three tranches with a perpetual maturity and a nominal amount of €1 billion each, with respective redemption options (Non Call) at 4, 5 and 6 years, and bearing interest at 7.00%, 7.25% and 7.50% respectively until these dates.

These initial interest rates of each tranche of the Deeply Subordinated Notes will increase for each to 8.50%, 8.00% and 8.00%, respectively, on the first respective early redemption date and at the option of the Company, of the relevant tranche. These interest rates will then be revised every year from April 20, 2028, based on the 12-month Euribor rate plus a margin of 10.40%, it being specified that the applicable 12-month Euribor rate will not be less than -0.45%. The Company will have the option to defer the payment of interest at its discretion, in whole or in part. Deferred interest on the Deeply Subordinated Notes will be accrued and capitalized.

The payment of interest will nevertheless become compulsory in the event of, for example, the payment of a dividend or the redemption of equity securities, subject to certain customary exceptions.

These Deeply Subordinated Notes may be converted by way of set-off in the context of future issues of quasi-equity securities or capital increases. In the event of: (i) a third party, acting alone or in concert, holds more than 30% of the share capital of the Company; (ii) non-approval by the shareholders' meeting of a project of issuance of shares or any other securities giving right to shares of the Company, submitted by the board of directors, and enabling the French State to convert in shares of the Company all or part of the Deeply Subordinated Notes held by the French State ; or (iii) in the event of an implementation of a share capital increase or of an issuance of securities giving right to shares of the Company (with the exception of transactions carried out with preferential subscription rights or with a priority subscription period and which may be subscribed by way of off-set, transactions reserved for the French State or transactions with cancellation of preferential subscription rights by "private placement" authorized in advance by the French State) without the agreement of the French State, the Company may redeem (a) in the cases referred to in (i) and (ii) above, in full, and (b) in the case referred to in (iii) above, in full or in part, the Deeply Subordinated Notes remaining outstanding. Otherwise, the applicable interest rate will be increased by an additional margin of 5.50% per *annum* from the date of occurrence of any of the events referred to in (i), (ii) or (iii). Such interest rate adjustments shall be cumulative, provided, however, that the cumulative adjustments shall not exceed 11.00% per annum.

c. Amendment to the Shareholder Loan

The purpose of the Amendment to the Shareholder Loan is to amend certain provisions of the Shareholder Loan in order to allow the repayment of the Shareholder Loan by way of conversion into deeply subordinated notes issued by the Company.

2. <u>Interested parties</u>

Mrs. Astrid Panosyan and Mr. Jean-Dominique Comolli, members of the board of directors of the Company appointed by the Shareholders' Meeting of the Company upon proposal of the French

State, could be considered as indirectly interested in the conclusion of the Agreements, due to the fact that the French State holds, at the date of conclusion of the Agreements, 14.3% of the Company's capital.

Mr. Martin Vial, a member of the Company's board of directors representing the French State appointed by ministerial order, is considered to be indirectly interested in the conclusion of the Shareholder Loan and could be considered to be indirectly interested in the conclusion of the Subordinated Loan as a result of the French State's holding, at the date of conclusion of the Agreements, of 14.3% of the Company's capital.

3. Approval from the Board of Directors

In accordance with the provisions of Article L. 225-38 of the French Commercial Code, the Company's Board of Directors authorized the conclusion of the Agreements at its meeting on May 5, 2021. Mrs. Astrid Panosyan, Mr. Jean-Dominique Comolli and Mr. Martin Vial did not take part in the deliberations or vote on the Agreements.

4. Benefits of the Agreements for the Company

The Subscription Commitment from the French State to the Capital Increase and Deeply Subordinated Notes Subscription Agreement were entered into in order to allow the Group to strengthen its equity in the context of the Covid-19 crisis.

The capital increase referred to in Subscription Commitment from the French State to the Capital Increase will improve the Group's equity by up to 1 billion euros under IFRS and French GAAP accounting standards, and to provide the Group with the same amount of cash for the benefit of Air France.

In addition, the issuance of the Deeply Subordinated Notes subject to the Deeply Subordinated Notes Subscription Agreement will improve the Group's equity by €3 billion under IFRS accounting standards, without impacting cash flow, while increasing the Group's flexibility in its mandatory debt repayment profile spread over time (with a Non-Call period ranging from 4 to 6 years). The Amendment to the Shareholder Loan allows the repayment of the Shareholder Loan by way of conversion into Deeply Subordinated Notes.

This crisis having considerably impacted the Company's business, its financial situation will not allow a sustained recovery of its activity. Consequently, the conclusion of the Agreements appeared necessary

5. Materiality of the cost of the Deeply Subordinated Notes

The financial expenses incurred by the Company over the first twelve (12) month period, assuming that the Company does not make use of the option to defer the payment of interest at its discretion, would amount to approximately €217.5 million in respect of the Deeply Subordinated Notes.

It is recalled that the consolidated annual result was approximately € -7.1 billion as at 31 December 2020.